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GLOBAL BIOTECHNOLOGY FORUM

Note by the Secretariat

Provides information on the Global Biotechnology Forum to be convened at Concepción, Chile, in December 2003.

Introduction

1. The potential of biotechnology to benefit the developing world is still greatly underused for a number of complex and inter-related reasons. At the international level, technical assistance treats biotechnology as second-order priority not only because of shrinking budgets but also, in many cases, on account of public opposition in donor countries. At the same time, most of the major international policy initiatives focus on trade and regulation rather than on mechanisms facilitating effective technology development and transfer. As a result, the focus on regulatory and trade issues has eclipsed the debate on the main issue: how can biotechnology contribute to sustainable development? Or, in other words, how can biotechnology address problems that are intractable to conventional technologies, or harness new opportunities in ways that improve social welfare and ensure environmental sustainability?

2. Aware of this need, the Government of Chile requested UNIDO, in its capacity as Task Master for Chapter 16 of Agenda 21,[1] to organize a Global Biotechnology Forum. The Forum will explore—in a balanced, all-inclusive manner and in the light of recent developments—policy, socio-economic, technology and management issues that have a bearing on the development and accessibility of biotechnologies capable of contributing to sustainable development. Moreover, the Forum is consistent with activities foreseen in the medium-term programme framework, 2002-2005, adopted by the General Conference at its ninth session (GC.9/ Res.2), for strengthening industrial capacities.

3. This major international event, to be held at Concepción, Chile, in December 2003, will bring together leading representatives of government, development agencies, industry, the scientific community, academia and the general public. It will be preceded by a series of regional consultations intended to generate insights and help structure the Forum agenda.

4. The estimated cost of the Forum, including all preparatory consultations, meetings and reports, will be in the range of $1 million. The Government of Chile is expected to contribute towards this amount, as are the Governments that will host the preparatory regional meetings. Additional contributions will be sought from various foundations and individual donor countries.

[1] In September 1993, the United Nations Inter-Agency Committee on Sustainable Development approved the designation of UNIDO as Task Master on Biotechnology (Chapter 16 of Agenda 21).

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I. THE FOCUS OF THE FORUM: THEMES AND ISSUES

5. The Forum will provide a much-needed opportunity for a broad and informed debate on five critical questions:

- Why is biotechnology of strategic importance?
- Why is it that so far biotechnology has not benefited the developing world or countries with economies in transition?
- How can innovation capability be enhanced in the developing world and transition economies?
- Can mechanisms be designed that would facilitate the transfer of biotechnology to these countries?
- Can biotechnology help conserve biodiversity?

6. Technology considerations by themselves make a very strong case for the strategic importance of biotechnology as a powerful means of addressing intractable problems in health care, food supply and environmental protection and remediation. This potential, however, has to be considered in the context of resource availability and a complex interplay of institutional and market factors.

7. In the case of biopharmaceuticals, the resource and commercial requirements are prohibitively high for the domestic development or adaptation of technology. Therefore, in the near term at least, biotechnology is likely to reach most developing countries and transition economies in the form of traded or licensed products. In the case of agro-food and processing industries, the threshold barriers are considerably lower and, consequently, the potential of biotechnology to meet socio-economic needs and enhance industrial competitiveness in the near future is much greater.

8. The emerging knowledge networks can play a crucial role in fostering innovation capability in developing countries and transition economies by accelerating the progress to reach a level of critical-mass expertise. Such networks can generate sizeable savings in research time and investment and are particularly appropriate as a tool in South-South cooperation since they greatly facilitate synergies and the sharing of resources.

9. The effectiveness of any mechanism designed to promote and facilitate the transfer of biotechnology to the developing world would largely depend on regulatory compliance and realistic expectations of mutual benefits. Regulatory compliance involves protection of human health and the environment as well as of intellectual property rights in accordance with national laws and international conventions. Access to emerging markets and indigenous genetic resources can make a strong case of tangible benefits for technology owners; a less tangible but nevertheless attractive gain is the favourable publicity that owners can expect from technology transfers intended to address major health care and food security problems.

10. Development cannot be sustainable without adequate stewardship of the planet's genetic, taxonomic and ecosystem diversity, and a fact that cannot be easily overlooked is that a very high percentage of the world's biological diversity resides in a few tropical and sub-tropical countries. With its enormous evolutionary significance, genetic diversity can greatly benefit from the application of biotechnological tools and techniques, and biotechnology holds the best promise to combat the erosion seen in the gene pools of many species extremely useful to humans.

11. By debating the issues within the framework outlined above, the Forum will seek to:

- Identify priority needs and opportunities;
- Examine policy options in the context of what is technologically feasible and desirable;
- Explore possibilities of managing the development and transfer of biotechnology in ways that are acceptable to all parties involved.

II. THE ROAD TO THE FORUM

12. An International Organizing Committee of eminent scientists and experts in technology transfer will guide the preparation of the Forum agenda, which will be based on the insights and recommendations yielded by four regional consultative meetings. All stakeholders will take part in these regional consultations: policy makers, business associations, the scientific community, international agencies involved in technology transfer, and consumer groups and other public interest organizations.

13. The tentative schedule of the regional meetings is as follows:

January 2003	Africa
February-March 2003	Latin America and the Caribbean
April-May 2003	Central and Eastern Europe
June-July 2003	Asia and the Pacific

III. ACTION REQUIRED OF THE BOARD

14. The Board may wish to take note of the information provided in the present document.

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United Nations Industrial Development Organization

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Industrial Development Board

Twenty-sixth session
Vienna, 19-21 November 2002
Item 5 of the provisional agenda

PERSONNEL MATTERS

Report by the Director-General

Provides information on developments in the common system, consequent amendment to schedule I of the staff regulations and amendments to the staff rules. Reports on the introduction of appointments of limited duration. Invites the Board to elect two members for the UNIDO Staff Pension Committee.

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Introduction

1. The present document provides information on a range of personnel-related issues. Information on the composition of the Secretariat is contained in appendix L to the Annual Report 2001. In addition, figures 1 and 2 provide information on staff in the Professional and higher categories and on senior staff.

2. Three Managing Directors at the D-2 level took office in September 2002: Mr. Renato Fornocaldo (Italy), Managing Director of the Division of Administration; Mrs. Haruko Hirose (Japan), Managing Director of the Programme Coordination and Field Operations Division; and Mr. Abel John Julian Rwendeire (Uganda), Managing Director of the Programme Development and Technical Cooperation Division.

Figure 1
Professional-level staff at Headquarters and field offices by region and gender as at 23 September 2002

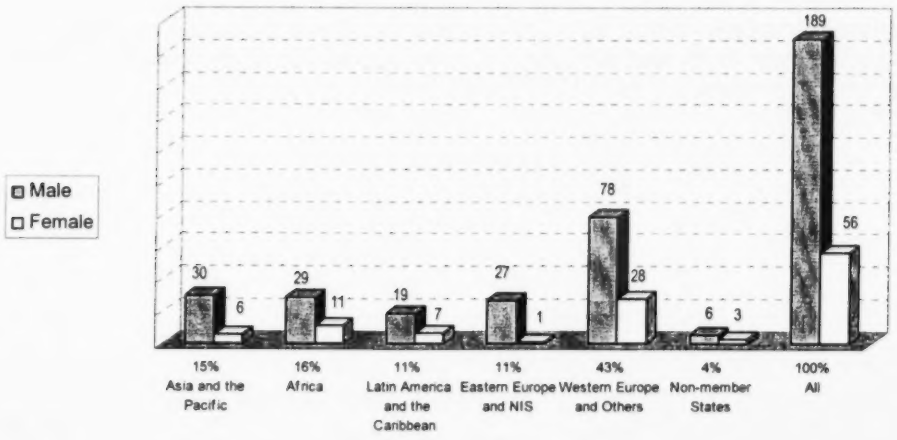
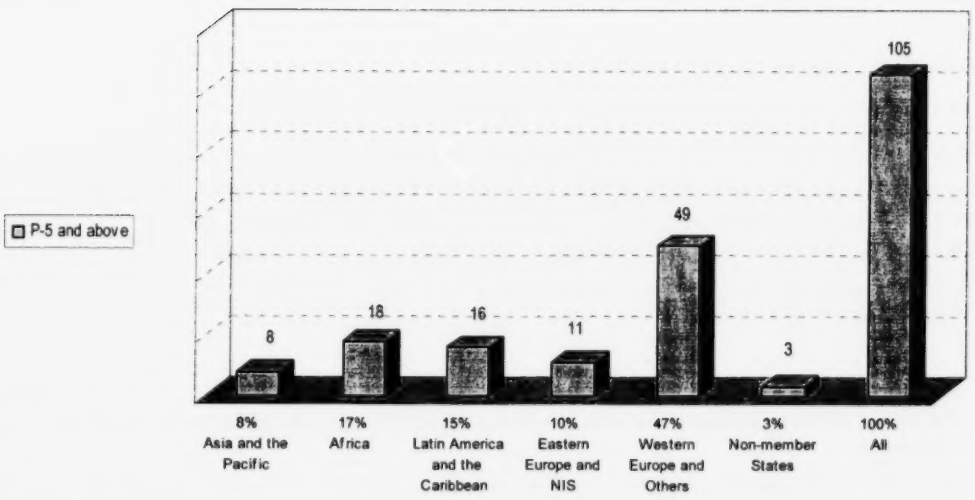


Figure 2
Senior Professional-level staff at Headquarters and field offices by region as at 23 September 2002



I. COMMON SYSTEM DEVELOPMENTS

3. At its fifty-sixth session the General Assembly adopted resolution 56/244 on the United Nations common system. In considering the item, the Assembly reaffirmed its commitment to a single, unified United Nations common system as the cornerstone for the regulation and coordination of the conditions of service. Furthermore, the Assembly expressed its conviction that the common system constitutes the best instrument to secure staff of the highest standards of efficiency, competence and integrity for the international civil service as stipulated under the Charter of the United Nations.

4. As provided in Article 11.5 of the UNIDO Constitution, "The conditions of service of staff shall conform as far as possible to those of the United Nations common system". In accordance with that principle, staff regulation 13.3 provides that the Director-General is authorized, within the budgetary level approved by the General Conference, to make appropriate amendments to the schedules and annexes to the staff regulations so as to bring them into conformity with any relevant decisions that may be taken up by the General Assembly of the United Nations on the recommendation of the International Civil Service Commission (ICSC).

Salary scales for the Professional and higher categories—amendment to schedule I of the staff regulations

5. In resolution 56/244, the General Assembly recalled section I.H. of resolution 44/198, by which it established a net salary level for staff in the Professional and higher categories by reference to the corresponding base net salary levels of officials in comparable positions serving at the base city of the comparator civil service (the federal civil service of the United States of America). The Assembly approved with effect from 1 March 2002, as recommended by ICSC, a revised base scale of gross and net salaries for staff in the Professional and higher categories. The scale reflects the consolidation of 3.87 per cent of post adjustment into the net base salary that became effective on 1 March 2001. The revision was implemented on a "no loss, no gain" basis, as far as salary payments are concerned. That is, in accordance with standard procedures upon implementation of the revised salary scale, revised post adjustment multipliers were established by ICSC for all duty stations. The revised scale entails an increase in the mobility and hardship allowances and the repatriation grant, paid to eligible staff as the net base salary is used to determine these payments.

6. The revised scale is contained in annex I to the present document.

Review of the pay and benefits system

7. The report of the Director-General contained in document IDB.24/13 of 18 April 2001 announced the review of the pay and benefits system. This review, undertaken by ICSC in consultation with parties concerned, has continued. The Commission at its fifty-fifth session, held in August 2002, noted the substantial number of inter-related items which required further study before substantive proposals for reform could be formulated. The Commission reached consensus on a set of priorities and time frame for the reform of the pay and benefits system that extends to 2006.

II. MATTERS RELATED TO THE STAFF RULES

8. The applicable texts for the amended staff rules covered in the present chapter are shown in the annexes indicated. In those annexes, deletions are contained in square brackets and amendments are underlined.

Professional Scales

9. In accordance with Article 54(b) of the regulations of the United Nations Joint Staff Pension Fund, the scale of pensionable remuneration for the Professional and higher categories must be adjusted on the same date and by the same percentage as the net remuneration of officials serving in New York. In accordance with this provision, ICSC promulgated a revised scale of pensionable remuneration effective 1 November 2001. The revised appendix C to the staff rules is contained in annex II to the present document.

Human Resource Management Framework

10. Given the central role of human resource management in the programmatic success of the Organization, and with the view to incorporating the staff career development system into a comprehensive programme and to streamlining current processes and procedures, a Human Resource Management Framework was launched in June 2001. The implementation of the framework is being conducted in three phases using a step-by-step approach.

11. The first phase focused on providing employment stability and ensuring the recruitment and retention of the most qualified staff on a wide geographical basis; it contains streamlined guidelines for the engagement of staff through recruitment, selection and placement. The second phase of the framework will address career growth and the third will concentrate on promoting an environment of continuous learning. The necessary amendment to the staff rules relating to the first phase of the framework—to staff rule 103.10 on fixed-term appointments—is contained in annex III to the present document. The new applicable text of rule 103.10 is

underlined; the text previously applicable is shown in square brackets. Rule 103.12 (a) has been amended to streamline functional titles. Annex IV refers.

12. As an integral part of the second phase of the Human Resource Management Framework, a new and simplified performance appraisal system was introduced in July 2002. It calls for planning of work assignments, for dialogue on and monitoring of performance and for the identification of developmental and learning needs. The necessary amendments to Appendix M to the staff rules are reflected in annex V to the present document.

Appointments of limited duration

13. As an integral part of the first phase of the Human Resource Management Framework, appointments of limited duration (ALD) were introduced effective 1 February 2002. Such appointments have been endorsed by ICSC and have been used by other specialized agencies and the United Nations. In the context of UNIDO, appointments of limited duration are intended for tasks relating to special operational needs and technical cooperation which are finite in time and nature. ALD are non-career appointments and have a maximum duration of four years. If this maximum period is completed, a one year break in service is required before an individual can become eligible for any new appointment.

14. Individuals holding appointments of limited duration have the status of staff members of UNIDO. As international civil servants, they are held to the standards of conduct in the international civil service as well as the obligations set out in Article I of the Staff Regulations of UNIDO, including the obligations to discharge their functions and to regulate their conduct with only the interests of the Organization in view and not to seek or receive instructions from any source external to the Organization.

15. Since their introduction in the United Nations common system, ALD are recognized as providing flexibility and swiftness in recruitment as well as simplicity with respect to the administration of the related conditions of service. ALD can be used for the General Service and the Professional and higher categories. The basic compensation package that applies to staff appointed under an ALD consists of: net salary (without step increments) as determined by ICSC, service and, subject to eligibility, family allowances. A cost of living allowance is payable to staff in the Professional and higher categories. An assignment grant is payable to internationally recruited staff members so as to provide them with the financial means to meet their immediate needs at the beginning of the assignment. A limited shipment entitlement is provided. Social security coverage is also provided. The conditions of employment applicable to ALD are detailed in the 300 series of the UNIDO staff rules. Originally, the 300 series of the staff rules were issued to provide the regulatory framework for short-term—daily or monthly—appointments. These were revised and the ALD have been incorporated. The revised 300 series of the staff rules are contained in document UNIDO/DG/B/Staff Rules/3/Rev.1. UNIDO currently employs four staff members on appointments of limited duration.

Local salaries

16. Staff regulation 6.5 stipulates that the Director-General shall fix the salary scales for staff in the General Service category, normally on the basis of the best prevailing conditions of employment in the locality, taking into account the recommendations of ICSC. Based on the results of the salary survey conducted by ICSC in Vienna, the Director-General approved the implementation of the revised salary scale and dependency allowances recommended by the Commission. The last interim adjustment of salaries of General Service staff in Vienna was implemented effective April 2001 (document UNIDO/DG/B/Staff Rules/1/Rev.1/Amend.20 of 12 July 2001 refers). The reference date of the ICSC survey was 1 April 2002 and the revised scale was implemented with the same effective date. The new scale represents an overall increase of 2.98 per cent. The salary scale effective 1 April 2002 for General Service staff in Vienna and the revised dependency allowances are shown in annexes VI and VII to the present document.

Financial implications

17. The financial implications of the adjustments related to the revised salary and pensionable remuneration scales reported above amount to €443,600 for the remainder of the biennium. The financial implications of the implementation of the ICSC salary survey amount to €739,100 for the remainder of the biennium. The additional costs can be absorbed by the budgetary level approved by Member States as well as by savings resulting from higher-than-budgeted vacancy rates.

III. REPRESENTATION OF THE UNIDO GOVERNING BODY ON THE UNIDO STAFF PENSION COMMITTEE

18. The UNIDO Staff Pension Committee established by the General Conference (GC.1/Dec.37) held two meetings in the course of 2001 and up to the time of the present report it held four meetings in 2002.

19. In its decision GC.9/Dec.19, the General Conference elected the following two members and two alternate members of the UNIDO Staff Pension Committee for the biennium 2002-2003:

Members: Ms. Caroline Ziadé (Lebanon)
Mr. Constancio R. Vingno, Jr. (Philippines)

Alternate Mr. Cédric Janssens de Bisthoven (Belgium)

Members: Mr. Mlulani M. L. Singaphi (South Africa)

20. Both of the member posts have become vacant upon the departure from Vienna of the incumbents. The Board may wish to proceed with the election for those posts for the remainder of the term in accordance with Conference decision GC.9/Dec.19 (c).

IV. ACTION REQUIRED OF THE BOARD

21. The Board may wish to consider the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information contained in document IDB.26/11;

"(b) Notes the amendments made in pursuance of staff regulation 13.3 to schedule I of the staff regulations in order to bring it into conformity with the decision of the General Assembly set out in resolution 56/244;

"(c) Further notes the amendments to staff rules 103.10, 103.12 and appendices A, C and M to the staff rules;

"(d) Notes the revision of the 300 series of the staff rules and the introduction of appointments of limited duration;

"(e) In accordance with General Conference decision GC.9/Dec.19 (c), elects the following members of the UNIDO Staff Pension Committee for the remainder of the biennium 2002-2003:

Members: ..... (country)

..... (country)"

Annex I

SCHEDULE 1
SALARY SCALES FOR THE PROFESSIONAL AND HIGHER CATEGORIES SHOWING ANNUAL GROSS SALARIES AND THE NET EQUIVALENTS AFTER APPLICATION OF STAFF ASSESSMENT
(in United States dollars)

Effective 1 March 2002

		STEPS													
LEVEL		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
Director																
D-2	Gross	129 834	132 689	135 540	138 392	141 245	144 097									
	Net D	90 697	92 467	94 235	96 003	97 772	99 540									
	Net S	83 322	84 805	86 286	87 768	89 250	90 733									
Principal Officer																
D-1	Gross	114 784	117 226	119 669	122 106	124 550	126 994	129 437	131 877	134 319						
	Net D	81 366	82 880	84 395	85 906	87 421	88 936	90 451	91 964	93 478						
	Net S	75 209	76 539	77 868	79 195	80 526	81 845	83 115	84 384	85 652						
Senior Officer																
P-5	Gross	101 084	103 294	105 505	107 715	109 924	112 132	114 344	116 553	118 761	120 974	123 185	125 392	127 602		
	Net D	72 872	74 242	75 613	76 983	78 353	79 722	81 093	82 463	83 832	85 204	86 575	87 943	89 313		
	Net S	67 698	68 955	70 159	71 362	72 565	73 767	74 970	76 173	77 376	78 579	79 781	80 983	82 162		
First Officer																
P-4	Gross	82 255	85 283	87 306	89 329	91 442	93 597	95 752	97 906	100 065	102 216	104 371	106 529	108 682	110 837	112 994
	Net D	61 548	62 887	64 222	65 557	66 894	68 230	69 566	70 902	72 240	73 574	74 910	76 284	77 583	78 919	80 256
	Net S	57 316	58 546	59 770	60 994	62 220	63 443	64 669	65 894	67 118	68 342	69 540	70 717	71 888	73 062	74 235
Second Officer																
P-3	Gross	68 306	70 208	72 112	74 011	75 915	77 815	79 715	81 620	83 523	85 423	87 326	89 226	91 202	93 226	95 250
	Net D	51 682	52 937	54 194	55 447	56 704	57 958	59 212	60 469	61 725	62 979	64 235	65 489	66 745	68 000	69 255
	Net S	48 242	49 396	50 553	51 706	52 862	54 015	55 169	56 324	57 477	58 632	59 782	60 933	62 083	63 233	64 384
Associate Officer																
P-2	Gross	55 346	56 907	58 465	60 027	61 729	63 429	65 130	66 829	68 532	70 233	71 932	73 636			
	Net D	42 849	43 973	45 095	46 218	47 341	48 463	49 586	50 707	51 831	52 954	54 075	55 200			
	Net S	40 191	41 210	42 226	43 244	44 260	45 279	46 313	47 344	48 379	49 412	50 444	51 479			
Assistant Officer																
P-1	Gross	42 944	44 444	45 942	47 442	48 939	50 438	51 938	53 436	54 932	56 432					
	Net D	33 920	35 000	36 078	37 158	38 236	39 315	40 395	41 474	42 551	43 631					
	Net S	31 997	32 992	33 986	34 980	35 974	36 967	37 962	38 944	39 921	40 899					

D = Rate applicable to staff members with a dependent spouse or child.
S = Rate applicable to staff members with no dependent spouse or child.

Annex II

Appendix C

SCALE OF PENSIONABLE REMUNERATION FOR THE PROFESSIONAL AND HIGHER CATEGORIES

Scale of pensionable remuneration

(For purposes of pension benefits and pension contributions)

(in United States dollars)

Effective 1 November 2001

	STEPS														
LEVEL	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
D-2.....	156 656	160 217	163 776	167 333	170 892	174 452									
D-1.....	138 748	141 593	144 437	147 277	150 123	153 109	156 158	159 207	162 250						
P-5.....	122 795	125 369	127 942	130 517	133 091	135 663	138 237	140 813	143 383	145 958	148 532	151 112	153 870		
P-4.....	101 524	104 036	106 544	109 052	111 565	114 073	116 583	119 094	121 603	124 111	126 619	129 136	131 643	134 152	136 664
P-3.....	84 497	86 655	88 812	90 965	93 125	95 280	97 436	99 596	101 853	104 213	106 569	108 927	111 285	113 641	116 001
P-2.....	69 321	71 254	73 180	75 110	77 038	78 968	80 896	82 822	84 754	86 683	88 610	90 541			
P-1.....	53 979	55 838	57 690	59 543	61 398	63 250	65 107	66 958	68 811	70 666					

Annex III

Rule 103.10

FIXED-TERM APPOINTMENTS

(a) On recruitment, staff members shall be granted appointments for a fixed term. The fixed-term appointment, having an expiration date specified in the letter of appointment, shall normally be granted for a period of three years, with the first 12 months being a probationary period that can in exceptional circumstances be extended for an additional period up to one year. The fixed-term appointment does not carry any expectancy of renewal or conversion to another type of appointment

(b) Extensions of fixed-term appointments are subject to satisfactory performance and budgetary coverage and shall normally be for a period of three years. Extensions of fixed-term appointments exceeding the normal three-year period up to a maximum of five years may exceptionally be granted under conditions established by the Director-General.

(c) Non-extension of fixed-term appointments does not entail payment of an indemnity.

[(a) Appointments granted on recruitment for periods of 12 months or more should be fixed-term appointments.

(b) Fixed-term appointments granted to Professional (P-1 to P-5) and General Service staff are normally for an initial period of three years, including a probationary period of 12 months that can in exceptional circumstances be extended for an additional period up to one year.

(c) Fixed-term appointments granted to the Director (and Principal Officer) category are for a maximum period of two years.

(d) Fixed-term appointments do not carry any expectancy of renewal or conversion to another type of appointment. When it is in the interest of the programme activities of the Organization, however, fixed-term appointments can be extended for subsequent fixed-term periods up to three years, not exceeding a total of seven years since the initial appointment of the staff member concerned.

(e) Extensions beyond the maximum of seven years will be considered only upon completion of a review to be done prior to the end of the sixth year of service based on the staffing requirements of the Organization and the performance appraisal reports of the staff member concerned.

(f) Non-extension of fixed-term appointments, both during and at the end of the seven-year period does not entail payment of any indemnity.

(g) The above dispositions apply to all staff recruited on or after 1 January 1999 and to those appointed prior to that date with less than three years of service at the end of their appointment.

(h) Staff members appointed prior to 1 January 1999 having three years or more of service will continue to be governed by the terms of their original fixed-term appointment, which do not include the seven-year limit referred to in subparagraph (d) above.]

Probationary period

(i) No change
(j) No change

Annex IV

Rule 103.12

APPOINTMENT AND PROMOTION BOARD

The following definitions will apply to the terminology used in this Staff Rule:

Appointment: Contractual agreement to enter and remain in service with the organization following the selection procedure;

Placement: Redeployment of a staff member assigned to an abolished post, to a similar position at the same grade, or lateral transfer of staff members, at the same grade, to non-analogous positions;

Lateral transfers of staff at the same grade, between analogous positions within the same division, falls within the authority of Managing Directors;

Analogous posts: Posts identical in grade, description and requirements;

Promotion: Change in grade level within or between categories of posts following selection to a vacant post or reclassification of a post, according to the procedures set up in this Staff Rule;

Review of staff: Five-year review of permanent appointments.

(a) (i) The Appointment and Promotion Board shall be established by the Director-General to give advice on the appointment, placement, promotion and review of staff in the Director, Professional and General Service categories, except for posts in the immediate Office of the Director-General, Advisors in the Office of the Director-General [and Special Advisors in the Executive Office and], UNIDO Representatives and [also] entry grades G-1/G-2 in the General Service category;

(ii) Subject to the criteria of article 11, paragraph 5, of the Constitution and to the provisions of staff regulations 3.2 and 4.2, the appointment and promotion bodies shall, in filling vacancies through recruitment, assignment or placement, normally give preference, where qualifications are equal, to staff members already in the service of the Organization and staff members in other organizations participating in the United Nations common system. Gender balance and geographic representation should also be duly considered.

(b) No change

Annex V

Appendix M

STAFF PERFORMANCE APPRAISAL SYSTEM

(a) As stipulated in staff rule 104.08, the service and conduct of staff members shall be the subject of appraisals made from time to time by their supervisors.

(b) Performance appraisals will be made on the following occasions:

(i) After 12 months of probationary service, where applicable;

(ii) On an annual basis.

(c) In addition, unless an appraisal has been made during the last six months, it will be required on the following occasions:

(i) If the staff member is assigned to another organizational unit within the UNIDO Secretariat, to another duty station or to a mission for a period of six months or longer;

(ii) If the staff member is transferred to another organization of the United Nations common system or separates from service;

(iii) If the immediate supervisor is about to leave on another assignment or to be separated from the Secretariat.

(d) If the staff member, upon receipt of the appraisal, does not agree with its content, he or she may submit, within one month, a statement of explanation. The statement of explanation can relate to any comment or rating in the appraisal; it will be placed on the staff member's Official Status File. It is, however, not a rebuttal.

(e) A rebuttal may be submitted within one month of receipt of the appraisal if the staff member has received and does not agree with a summary evaluation given in part VI which indicates that the performance [is marginal (rating 2)] needs improvement or is unsatisfactory [(rating 1)]. The rebuttal may cover one or all parts of the appraisal.

(f) The rebuttal is a formal procedure of investigation by a panel of three persons selected by the staff member from a list of five persons normally senior in grade to the staff member. The list will be proposed by the [appraising] reviewing officer. Following the investigation the panel will submit its report to the [appraising] reviewing officer, who will record his or her appraisal in writing.

(g) The within-grade salary increment provided for in staff regulation 6.1 and staff rule 106.01 shall be withheld if the summary evaluation given in part VI of the staff performance appraisal is that the performance [is marginal (rating 2)] needs improvement or is unsatisfactory [(rating 1)].

(h) Special reports shall be made by the head of the division in the form of a memorandum relating directly to the facts requiring the action when:

(i) Events warranting the withholding of the salary increment occur subsequent to the most recent performance appraisal which would otherwise have served as the basis for the salary increment;

(ii) There is a recommendation for termination of appointment for unsatisfactory service.

(i) Within one month of receipt of the special report, the staff member may submit a rebuttal, which will also be subject to investigation by a rebuttal panel as referred to in paragraph (f) above.

(j) A staff member may request a special report in respect of any assignment of less than six months in another organizational unit.

Annex VI

APPENDIX A

SALARY SCALES FOR STAFF IN THE GENERAL SERVICE CATEGORY, SHOWING ANNUAL GROSS, GROSS PENSIONABLE AND NET SALARY AFTER APPLICATION OF STAFF ASSESSMENT
(in euro)

Effective 1 April 2002

		STEPS											
LEVEL		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII *
G-1	Gross	23 379	24 162	24 945	25 729	26 512	27 295	28 078	28 861	29 644	30 427	31 210	31 994
	Gross pens.	23 281	24 026	24 770	25 515	26 259	27 004	27 748	28 493	29 237	29 981	30 726	31 470
	Net	18 858	19 461	20 064	20 667	21 270	21 873	22 476	23 079	23 682	24 285	24 888	25 491
G-2	Gross	27 223	28 130	29 036	29 943	30 849	31 756	32 662	33 569	34 475	35 382	36 288	37 195
	Gross pens.	26 936	27 798	28 659	29 521	30 383	31 244	32 106	33 002	33 909	34 815	35 722	36 628
	Net	21 818	22 516	23 214	23 912	24 610	25 308	26 006	26 704	27 402	28 100	28 798	29 496
G-3	Gross	31 671	32 721	33 770	34 819	35 869	36 918	37 968	39 017	40 066	41 116	42 165	43 231
	Gross pens.	31 164	32 162	33 204	34 253	35 302	36 352	37 401	38 451	39 500	40 549	41 599	42 648
	Net	25 243	26 051	26 859	27 667	28 475	29 283	30 091	30 899	31 707	32 515	33 323	34 131
G-4	Gross	36 819	38 034	39 248	40 462	41 677	42 895	44 158	45 422	46 685	47 949	49 212	50 476
	Gross pens.	36 253	37 467	38 682	39 896	41 110	42 325	43 539	44 753	45 967	47 182	48 396	49 610
	Net	29 207	30 142	31 077	32 012	32 947	33 882	34 817	35 752	36 687	37 622	38 557	39 492
G-5	Gross	42 774	44 234	45 695	47 155	48 616	50 077	51 538	52 999	54 459	55 920	57 381	58 842
	Gross pens.	42 208	43 612	45 015	46 419	47 823	49 227	50 631	52 035	53 439	54 843	56 247	57 651
	Net	33 792	34 873	35 954	37 035	38 116	39 197	40 278	41 359	42 440	43 521	44 602	45 683
G-6	Gross	49 942	51 632	53 323	55 014	56 704	58 395	60 085	61 776	63 466	65 226	67 039	68 852
	Gross pens.	49 097	50 722	52 347	53 971	55 596	57 221	58 845	60 470	62 095	63 719	65 374	67 065
	Net	39 097	40 348	41 599	42 850	44 101	45 352	46 603	47 854	49 105	50 356	51 607	52 858
G-7	Gross	58 238	60 195	62 151	64 108	66 200	68 299	70 397	72 496	74 594	76 693	78 791	80 890
	Gross pens.	57 070	58 951	60 831	62 712	64 592	66 548	68 505	70 462	72 419	74 375	76 332	78 289
	Net	45 236	46 684	48 132	49 580	51 028	52 476	53 924	55 372	56 820	58 268	59 716	61 164

* Long-service step

Annex VII

Appendix A (continued)

New dependency allowances:

Dependent child	Euros net per annum		
	1st child	2nd child	3rd and each additional child
Under 10	2,247	2,401	2,554
10 and over	2,466	2,619	2,772
19 and over	2,777	2,930	3,083

Dependent spouse 554 per annum

Additional allowance for first child of single, widowed, divorced or legally separated parent 364 per annum

Secondary dependant 174 per annum

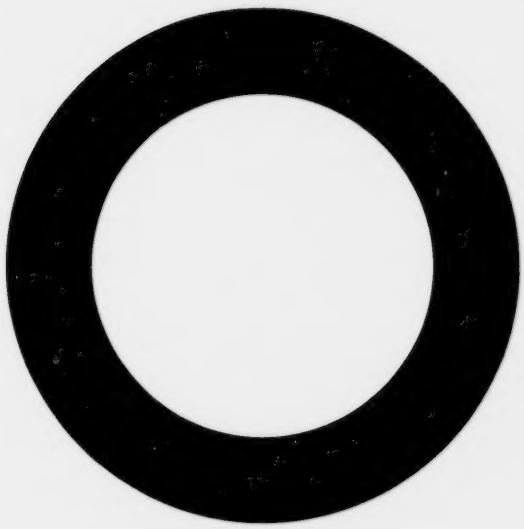
The secondary dependant allowance for a dependent parent, brother or sister was abolished as of 1 July 1981. Payment will be maintained, however, for staff members already in receipt of this allowance prior to 1 July 1981 who are otherwise eligible.

Previous rates of dependency allowances in euros net per annum

	1st child	2nd child	3rd and each additional child
Under 10	1,934	2,087	2,240
10 and over	2,152	2,305	2,458
19 and over	2,414	2,566	2,719

Dependent spouse 389 for staff appointed before 1 October 1996
384 for staff appointed on or after 1 October 1996

Additional allowance for first child of single, widowed, divorced or legally separated parent 398



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United Nations Industrial Development Organization

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Industrial Development Board

Twenty-sixth session
Vienna, 19-21 November 2002
Item 3 (a) of the provisional agenda

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES: UNIDO PARTICIPATION IN MAJOR INTERNATIONAL EVENTS

Report by the Director-General

In compliance with resolution GC.9/Res.3, reports on UNIDO's participation in and contribution to the WSSD process. Also provides information on enhancing UNIDO's profile and on cooperation with other organizations in the system, in line with decision IDB.25/Dec.8.

Introduction

1. At its ninth session, the General Conference adopted resolution GC.9/Res.3 on the United Nations Conferences on Financing for Development and the World Summit on Sustainable Development (WSSD). The Conference requested the Director-General to provide a follow-up report to the Board after each meeting. Document IDB.25/3, issued to the Board at its twenty-fifth session, provided information on the outcome of the former meeting and on UNIDO preparations for WSSD. The present document reports in chapter I on UNIDO's participation in and contribution to the WSSD process. Chapter II provides brief highlights to address points expressed in decision IDB.25/8 on enhancing UNIDO's profile and on cooperation within the United Nations system.

I. WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT

2. The World Summit on Sustainable Development took place from 26 August through 4 September 2002 at Johannesburg, South Africa. As reflected in documents GC.9/14 and IDB.25/3, preparatory activities started in 2001 at the national and regional levels and continued at the global level through several meetings of the Commission on Sustainable Development, acting as the preparatory committee in 2002. UNIDO Member States were kept informed throughout the preparatory period through documents to the legislative organs, briefings by the Secretariat, and circular notes to permanent missions in New York and Vienna concerning planned activities and scheduled events.

A. Outcome

3. The Summit adopted the Plan of Implementation and the Johannesburg Declaration. In addition to the negotiated outcome, it was an occasion to announce partnership initiatives ("Type 2" outcomes), which are considered an integral part of the WSSD outcome.[1] Plenary partnership dialogues focused on the areas of water, energy, health, agriculture and biodiversity

[1] From WSSD official web site: "non-negotiated partnerships and initiatives to implement Agenda 21 are an important element of the outcomes of WSSD. The partnerships need only be agreed by those, directly involved, who commit themselves to taking the partnerships forward and making them a success. They complement the WSSD Programme of Implementation and help translate the commitments into action."

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(WEHAB) singled out by the Secretary-General as requiring particularly urgent action, as well as on cross-sectoral issues.

4. The Summit was attended by some 100 Heads of State or Government. A total of 190 governmental delegations and numerous intergovernmental organizations as well as representatives from the "major groups" of Agenda 21 participated. In addition to the formal proceedings in Sandton Convention Centre, an exhibition was mounted at Ubuntu village, the civil society forum took place in Nasrec and water-related issues were brought into particular focus at the WaterDome.

B. UNIDO's participation and contribution

5. UNIDO's participation in and contribution to the WSSD process occurred at four levels:

- Through the statement of the Director-General to the plenary (29 August) and through the inclusion of a UNIDO representative as resource person for the "Partnership Plenaries" on cross-cutting issues (27 August) and on energy for sustainable development (28 August);
- In consultations with interested government delegations to influence the negotiated outcome as enshrined in the Plan of Implementation;
- Through elaboration and promotion of Type 2 outcomes, in particular in the areas of access to energy and technology cooperation;
- Through the UNIDO stand at Ubuntu and the joint UNIDO/GEF/IMO stand at the WaterDome (complete with public information materials), through UNIDO's own side events and through participation in side events of other stakeholders.

6. UNIDO's delegation was headed by the Director-General. UNIDO colleagues from a broad spectrum of substantive and other sections collaborated to make valuable contributions to UNIDO's overall performance at WSSD.

Formal UNIDO statements

7. In his statement to the plenary on 29 August (available on the UNIDO web site), the Director-General advocated the enhanced use of technology cooperation in support of sustainable development, so that tomorrow's challenges need not be addressed with today's means. The Director-General also participated in the Summit Round Table on 3 September on the theme "Making It Happen!".

8. In the Partnership Plenaries, scheduled for 26-28 August, which were devoted to the five priority areas identified by the Secretary-General as deserving particular attention (para. 3 above), a UNIDO representative was asked to act as a technical resource person for the sessions on cross-cutting issues and on energy. Together with the energy experts of UNDP and the United Nations Department of Economic and Social Affairs, UNIDO had been previously invited to participate in the elaboration of the WEHAB brochure on energy which was made available to the participants of the partnership plenaries and is available online (www.johannesburgsummit.org).

Networking and consulting on the negotiated outcome

9. UNIDO's networking and consultation efforts in the early stages of the global preparatory process, notably in PrepCom 2 (January 2002) and 3 (March 2002) in New York and during the Ministerial Preparatory Meeting in Bali (end of May/June 2002), contributed to the elaboration of relevant recommendations in the Plan of Implementation. As adopted at Johannesburg, the Plan of Implementation contains copious text in several areas that are of concern to UNIDO and that strengthen UNIDO's overall mandate to work for sustainable development, in particular:

- Energy for sustainable development;
- Industrial development;
- Cleaner production and eco-efficiency;
- Corporate environmental and social responsibility and accountability;
- Sound management of chemicals;
- Marine ecosystems;
- Climate change;
- Montreal Protocol;
- Trade facilitation;
- Technology transfer;
- Role of specialized agencies in the pursuit of sustainable development.

10. It should be noted that the Plan of Implementation does not single out relevant actors, except in a few paragraphs where such singling out is necessary for compelling reasons.

Elaboration and promotion of partnership initiatives

11. In fulfilment of the General Conference mandate that asked the Director-General to make contributions to WSSD in those areas in which UNIDO has a comparative advantage (GC.9/Res.3), UNIDO started to elaborate proposals in early 2002 for Type 2 outcomes in the areas

of energy for sustainable development and technology cooperation.[2]

12. **The UNIDO initiative on rural energy for productive use** seeks to respond to the challenge of severe under-supply of energy services for the very poor, especially in rural and other remote areas (such as small island developing States). It was welcomed as a partner for the United Kingdom Department for International Development (DFID) initiative (Renewable Energy and Energy Efficiency Partnership) and the European Union Energy Initiative for Poverty Eradication and Sustainable Development. In recognition of UNIDO's comparative advantage in the field, the E-7, an association of nine large utilities from G-7 countries, expressed interest in concluding a letter of agreement with UNIDO, which was signed by the Director-General on 1 September at Johannesburg.

13. **The UNIDO initiative on technology transfer: Assessing needs—promoting action**, launched by the Director-General at WSSD on 2 September, is built on the realization that successful technology transfer requires a widespread process of local capability-building needs throughout society and, in particular, at three important levels: (a) nation; (b) sector; and (c) enterprise. It is equally essential that each country identify its technology needs in advance and manage the process of technology acquisition as effectively as possible to ensure that economic development goals are met.

14. Some 17 countries from Africa, Asia and Latin America have already engaged in the self-assessment exercise. The UNDP Special Unit for Economic and Technical Cooperation among Developing Countries as well as the World Business Council on Sustainable Development have indicated their readiness to contribute to the further unfolding of the initiative.

15. These UNIDO Type 2 initiatives on energy and technology cooperation, which corresponded to the criteria laid down by Member States, were officially announced in the relevant partnership forum on 30 August.

UNIDO stand at Ubuntu, exhibit at WaterDome, side events

16. A stand at the Ubuntu exhibition focused on UNIDO's cleaner production programme and on the Organization's activities in energy and technology cooperation. The stand received a steady flow of visitors, many of which requested detailed and specific information about UNIDO services. In addition, UNIDO contributed to a common system exhibit displayed in the Sandton Convention Centre and to the exhibit at the WaterDome.

17. UNIDO held its own side events:

- Rural energy for productive use, on 29 August;
- UNIDO initiative on Technology Transfer: Assessing Needs—Promoting Action, on 2 September;
- Signature of project document for the new Cleaner Production Centre in South Africa, which is co-sponsored by Austria and Switzerland. The signing was carried out by the Minister of Trade of South Africa, the Ministers of Foreign Affairs of Austria and Switzerland and the Director-General and gave high profile to UNIDO's presence in South Africa;
- Signature of memorandum of understanding between UNEP, ILO, UNIDO and the Government of Switzerland on the incorporation of labour issues into the work of cleaner production centres, on 3 September.

18. Despite the enormous number of parallel activities, UNIDO's side events were well attended, at times even beyond the capacity of the allocated space, and were honoured by the presence of several ministers.

19. Members of the UNIDO delegation contributed to side events organized by other stakeholders:

- Presentation of the DFID energy initiative, on 30 August;
- Activities at the WaterDome devoted to energy and water issues;
- Presentation of UNIDO's environment programmes at the Ministerial and Technical session of the Partnership Conference on Development and Protection of the Marine and Coastal Environment in Sub-Saharan Africa held at Ubuntu, on 30 August;
- Panel on private-public partnerships at the German Business Day, on 31 August;
- Joint UNIDO/GEF/IMO panel discussion on linking freshwater basins to large marine ecosystems for integrated management at the WaterDome, on 31 August;
- Presentation of the EU energy initiative at the technical level, on 30 August, and at the political level, on 1 September;
- E-7 side event on energy, on 1 September;
- Partnership Conference on Development and Protection of the Marine and Coastal Environment

[2] Additional information and several background documents for the UNIDO initiatives can be accessed from the UNIDO web site (www.unido.org/wssd).

in Sub-Saharan Africa (at level of Head of State), on 2 September;

- World Conservation Union panel on "Getting Conditions Right for Investment for Sustainable Development", on 4 September.

20. UNIDO also provided a brief presentation of its large marine ecosystem projects to members of the United States of America delegation led by the Under Secretary of Commerce for Oceans and Atmosphere and Administrator of the National Oceanic and Atmospheric Administration, Admiral Conrad Lautenbacher (Rtd) at the UNIDO WaterDome stand on 1 September.

21. In addition, the Director-General and members of the UNIDO delegation availed themselves of the presence of relevant interlocutors for a series of bilateral meetings with donors, programme country representatives and colleagues from other international organizations and liaised with media representatives.

22. At the Ubuntu stand and WaterDome, at UNIDO's side events and in other focused forums the UNIDO delegation distributed information materials produced specifically for WSSD or relevant to its proceedings. The list of public information materials is shown in the annex to the present document.

II. OTHER UNIDO INVOLVEMENT IN THE UNITED NATIONS SYSTEM

23. Through participation in the ECOSOC 2002 High-Level Segment, UNIDO continued its efforts to enhance the Organization's profile, strengthening its role in helping developing countries and transition economies overcome supply-side constraints and improve market access capabilities.

24. To that end, the UNIDO presentation to the preparatory Round Table on Education and Development focused on human resource development in quality and trade facilitation. This contribution was reflected in the Secretary-General's report on human resources development prepared for the High-Level Segment (E/2002/46).

25. Together with Mr. Carsten Staur, Secretary of State, Ministry of Foreign Affairs, Denmark, the Director-General co-chaired the Ministerial Round-Table Breakfast on Capacity-Building for Trade and Investment. The Director-General drew the attention of participants to the supply capacity and standards infrastructure gap in the current international initiatives to build the capacities of developing countries to participate in global trade. Capacity-building for trade was discussed in terms of strengthened ability to gain market access through knowledge of and targeting for opportunities (IDB.26/7, para. 34).

26. UNIDO continued to work with relevant stakeholders, particularly WTO, UNCTAD and ITC, to assist developing countries and economies in transition to overcome technical barriers to trade. Participating in the WTO Committee on Technical Barriers to Trade, UNIDO presented its technical cooperation programme and trade facilitation initiative. In cooperation with ITC, UNIDO has started a regional programme for trade facilitation in Central America. At the Joint Advisory Group meeting of the executive heads of WTO, UNCTAD and ITC in April 2002, the Director-General invited participants to coordinate and support activities related to technical barriers to trade.

III. ACTION REQUIRED OF THE BOARD

27. The Board may wish to take note of the information provided in the present document.

Annex

**WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT—
UNIDO PUBLIC INFORMATION MATERIAL**

Developing countries and technology cooperation: An industrial capacity-building perspective. Preface by Director-General and President of World Business Council for Development

Developing countries and technology cooperation: Ten business cases

Technology needs assessment (TNA) for developing countries

Innovative technology transfer framework linked to trade for UNIDO action

International technology centres: Bridging the technology divide

Assessing the uptake of environmentally sound technology in nine developing countries

Corporate social responsibility: Implications for small and medium enterprises in developing countries

Eco-efficiency for SMEs in the Moroccan dyeing industry

Overview of *Industrial Development Report 2002*

General information publications: *UNIDO in brief, UNIDO at work*

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Item 3 (a) of the provisional agenda

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES: UNIDO PARTICIPATION IN MAJOR INTERNATIONAL EVENTS

Report by the Director-General

Corrigendum

Paragraph 12, second sentence

For Department for International Development (DFID)
read Foreign and Commonwealth Office

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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS EIGHTEENTH SESSION

(24-25 September 2002)

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Introduction

1. The Programme and Budget Committee held its eighteenth session at UNIDO Headquarters, Vienna International Centre, from 24 to 25 September 2002. All 27 Members of the Committee participated in the session:

Angola, Argentina, Austria, China, Côte d'Ivoire, Democratic People's Republic of Korea, Egypt, Finland, France, Germany, Greece, Hungary, Italy, Japan, Mexico, Nigeria, Pakistan, Peru, Poland, Republic of Korea, Russian Federation, Saudi Arabia, Sudan, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland and Venezuela.

2. The following 53 Members of UNIDO also attended the session:

Afghanistan, Algeria, Azerbaijan, Belarus, Belgium, Bolivia, Bulgaria, Cameroon, Cape Verde, Chile, Colombia, Croatia, Cuba, Czech Republic, Denmark, Ecuador, Eritrea, Ethiopia, Guatemala, India, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Jordan, Kenya, Kuwait, Lebanon, Lithuania, Luxembourg, Malaysia, Morocco, Namibia, Netherlands, New Zealand, Oman, Panama, Philippines, Portugal, Romania, Slovakia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Ukraine, Uruguay, Viet Nam, Yemen, Yugoslavia and Zimbabwe.

3. The following organizations were represented:

United Nations Office at Vienna, International Atomic Energy Agency, International Institute of Refrigeration.

4. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation C. Moreno (Italy) as Chairman; E. Koffi (Côte d'Ivoire), A. S. Naqvi (Pakistan), and G. Berdennikov (Russian Federation) as Vice-Chairmen; and L. Rodríguez Chacón (Peru) as Rapporteur.

5. The agenda for the eighteenth session as adopted by the Committee is contained in document PBC.18/1. Following the adoption of the agenda, the Director-General made an introductory statement that was duly taken into account by the Committee in the consideration of the relevant agenda items.

6. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4(d) of the Constitution.

7. The report contains the conclusions reached by the Committee. Annex II to the present report contains a list of documents submitted to the Committee at its current session.

8. The following conclusions of the Committee contain recommendations that call for action by the Board at its twenty-sixth session or are of relevance to the work of that session:

Conclusion	Subject
2002/2	Report of the External Auditor, financial performance report and programme performance report for the biennium 2000-2001
2002/3	Financial situation of UNIDO
2002/4	Transition to a single currency system
2002/5	Mobilization of financial resources for UNIDO programmes

I. ORGANIZATIONAL MATTERS

9. On 24 September, the Committee considered a proposal by the Chairman to optimize the *utilization of available conference-servicing resources* and adopted the following conclusion:

Conclusion 2002/1

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its eighteenth session only, provided no substantive decisions were taken at those meetings.

10. The Committee also decided to set up informal in-session consultations with the aim of facilitating the drafting of conclusions and entrusted E. Koffi (Côte d'Ivoire) (Vice-Chairman) to chair those consultations.

II. REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001 (item 3)

11. On 24 September, the Committee considered the report of the External Auditor on the accounts of the United Nations Industrial Development Organization

and of the Industrial Development Fund for the financial period 2000-2001 ended 31 December 2001 (PBC.18/3), the comments of the Director-General on the report of the External Auditor (PBC.18/4), the financial performance report submitted by the Director-General for the biennium 2000-2001 (PBC.18/6), and the Annual Report of UNIDO 2001 (PBC.18/2 and Add.1).

12. On 24 September, after consideration of a draft conclusion on the *Report of the External Auditor, financial performance report and programme performance report for the biennium 2000-2001* submitted by the Chairman (PBC.18/L.2), the Committee adopted the following conclusion:

Conclusion 2002/2

The Committee recommended to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund and trust funds for the financial period 2000-2001 ended 31 December 2001 (PBC.18/3-IDB.26/2);

"(b) Also takes note of the Director-General's comments on the report of the External Auditor (PBC.18/4-IDB.26/3);

"(c) Welcomes the positive assessment made by the External Auditor, which, inter alia, states that the financial statements reflect properly the recorded financial transactions for the biennium ended 31 December 2001 and present fairly, in all material respects, the Organization's financial position as at 31 December 2001 and that the Organization has achieved relevance, financial stability, improved technical cooperation and delivery and quality of services through more focused activities during the last four years (PBC.18/3-IDB.26/2, annex I and para. 136);

"(d) While acknowledging that the External Auditor has not found any specific weakness or violation of internal controls, misconduct or undue behaviour in the field, takes note of the concerns expressed by the Auditor that the Internal Oversight Group is not in a position to perform intensive as well as extensive systematic reviews as required (paras. 96, 97 and 129 of the report);

"(e) Bears in mind that the Joint Inspection Unit recommended in its report JIU/REP/98/2 that the legislative organs request the executive heads to submit a consolidated annual summary report, as distinct from individual reports, on internal oversight activities;

"(f) With regard to the External Auditor's recommendations pertaining to the internal oversight, requests the Director-General:

(i) "To inform the Industrial Development Board of major internal oversight activities on the weaknesses of systems, procedures and related internal controls as called for under financial rule 109.39, including issues addressed, accomplishments achieved, a summary of recommendations made and status of action taken, through the Annual Report of the Director-General on the activities of the Organization;

(ii) "To inform the External Auditor as "cases of presumptive fraud" of any fraud-oriented investigation undertaken by the Internal Oversight Group;

(iii) "To strengthen the internal oversight function, in a systematic manner, inter alia, through an improved staffing profile with as much independence as practicable, in order to ensure pro-active reviews of all operations of the Organization to assess compliance, economy and efficiency and effectiveness of systems, procedures and related internal controls, including the engagement of experts, procurement of equipment and subcontracting under technical cooperation activities;

(iv) "To report to the Board at its twenty-seventh session on the implementation of the above request pertaining to the internal oversight;

"(g) With regard to other important aspects of the External Auditor's report, further requests the Director-General to report to the Board at its twenty-seventh session in more detail on efforts to meet the recommendations of the External Auditor, in particular:

"(i) On measures taken to increase fraud awareness and to combat fraud (paras. 92-99 of the report);

"(ii) With regard to UNIDO's offices at New York and Geneva (para. 128), also in response to the need for closer cooperation with the European Commission and the EuropeAid Co-operation Office in Brussels;

"(h) Requests the External Auditor:

"(i) To include in future reports a table with the key recommendations, in order to increase the clarity and action-oriented nature of the reports;

"(ii) To submit each year in time for the appropriate Programme and Budget Committee session a short interim report on the activities carried out by the External Auditor and any recommendations resulting therefrom, bearing in mind that the External Auditor can only certify the accounts at the end of the biennium;

"(i) Requests the Director-General:

"(i) To submit proposals to the Programme and Budget Committee at its nineteenth session to deal with the problem of UNIDO's After-Service Health Insurance liabilities in the event of a United Nations-wide solution not being forthcoming;

"(ii) To differentiate in future financial performance reports between unutilized balances that are a result of cost-saving measures undertaken, lack of resources, delivery problems, and the like;

"(iii) To complete the table mentioned in paragraph h (i) above by explaining the response to these recommendations by the time of the following session of the Programme and Budget Committee."

III. FINANCIAL SITUATION OF UNIDO (item 4); FINANCIAL REGULATIONS (item 5); TRANSITION TO A SINGLE CURRENCY SYSTEM (item 6)

13. On 24 September, the Committee considered under item 4, a report by the Director-General on the financial situation of UNIDO (PBC.18/10); under item 5 it took note of the entry contained in the annotated agenda (PBC.18/1/Add.1) that no further meetings of the Intersessional working group on proposed amendments to the financial regulations were scheduled; and under item 6 it considered a note by the Secretariat on the transition to a single currency system (PBC.18/5).

14. On 25 September, after consideration of a draft conclusion on the *financial situation of UNIDO*, submitted by the Chairman (PBC.18/L.3) the Committee adopted the following conclusion:

Conclusion 2002/3

The Committee recommended to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.26/9-PBC.18/10;

"(b) Also takes note of the information contained in chapter VI and annex II of that document on the implementation of General Conference decision GC.9/Dec.10;

"(c) Urges those Member States and former Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, to do so without delay;

"(d) Requests the Director-General to pursue his efforts and contacts with Member States to effect the collection of arrears;

"(e) Requests the Secretariat to ascertain from other organizations in the United Nations system information as to the incentives and disincentives in place with regard to the payment of assessed contributions as well as to the linking of such incentives and disincentives to services provided and to report thereon to the Committee at its nineteenth session;

"(f) Recommends to the General Conference at its tenth session to allow the Secretariat to use for integrated programmes each country's share and amount of the unencumbered balances of appropriations, income from new Member States and interest income in excess of budgetary estimates, as specified in decision GC.9/Dec.10, if no response has been received by 31 December 2003 from the concerned States on the use of those funds amounting to €840,818, as contained in annex II to document PBC.18/10-IDB.26/9;

"(g) Requests the Director-General to send a final reminder to those Member States which have not yet replied, informing them of the present decision."

15. On 25 September, after consideration of a draft conclusion on the *transition to a single currency system*, submitted by the Chairman (PBC.18/L.4), the Committee adopted the following conclusion:

Conclusion 2002/4

The Committee recommended to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.26/4-PBC.18/5 on the transition to a single currency system, and in particular of the problems being faced;

"(b) Notes with satisfaction that the Director-General has begun to take steps towards the full implementation of the single currency system based on the euro;

"(c) Requests the Director-General to find solutions to the problems in implementation identified in PBC.18/5 and to keep Member States regularly informed of further developments."

IV. IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005, INCLUDING FIELD REPRESENTATION AND TECHNOLOGY FORESIGHT (item 7); MOBILIZATION OF FINANCIAL RESOURCES (item 8); MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (item 9)

16. On 24 and 25 September, the Committee considered under item 7, a report by the Director-General on the implementation of the medium-term programme framework, 2002-2005 (PBC.18/8); under item 8 it considered a report by the Director-General on mobilization of financial resources for UNIDO programmes (PBC.18/7), information on financial resources—funds mobilization, contained in the Annual Report of UNIDO 2001 (PBC.18/2, Chap. V.A), information on project approvals under voluntary contributions, contained in the Annual Report of UNIDO 2001 (PBC.18/2, Appendix B) and a conference room paper on projects approved under the Industrial Development Fund, trust funds and other voluntary contribution in 2001 (PBC.18/CRP.1); and under item 9 it considered proposals of the Director-General on the medium-term programme framework, 2004-2007 (PBC.18/9).

17. At the suggestion of the Chairman, the Committee took note of the information provided by the Director-General on agenda item 7.

18. On 25 September, after consideration of a draft conclusion on *mobilization of financial resources for UNIDO programmes* submitted by the Chairman (PBC.18/L.5), the Committee adopted the following conclusion:

Conclusion 2002/5

The Committee recommended to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information contained in document IDB.26/6-PBC.18/7;

"(b) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 2003 and 2004 in accordance with the priorities defined in the medium-term programme framework, 2002-2005 (GC.9/Res.2);

"(c) Urges all Member States to pay their assessed contributions to the regular budget in full and on time, so that UNIDO can develop and implement its programmes in an efficient manner;

"(d) Encourages Member States and other financial sources to increase their voluntary contributions to UNIDO;

"(e) Also encourages the donor community and other sources of financing to consider contributing programmable funds, specifically to enable UNIDO to implement the integrated programmes, as well as to support an efficient development and eventual implementation of new initiatives within the mandate given to the Director-General in the medium-term programme framework 2002-2005;

"(f) Encourages Governments of recipient countries to play a more active role in assisting UNIDO within their means to mobilize funds for jointly developed integrated programmes and other high-priority activities, and specifically to assist in identifying and accessing funds available at the country level, including cost-sharing arrangements, and funds from bilateral donors,

UNDP, and from the World Bank and other development finance institutions;

"(g) Requests the Director-General in due time to enter into dialogue with all Member States on new initiatives within the framework and priorities of the medium-term programme framework 2002-2005, including their financial implications, and promote them in the international development context especially in international conferences and other forms of dialogue."

19. At the suggestion of the Chairman, the Committee took note of the information provided by the Director-General on agenda item 9.

V. DATE OF THE NINETEENTH SESSION (item 10)

20. On 25 September, the Committee heard a statement by the Chief of the Governing Bodies on the date of the nineteenth session.

21. On 25 September, after consideration of a draft conclusion on the *date of the nineteenth session*, submitted by the Chairman (PBC.18/L.6), the Committee adopted the following conclusion:

Conclusion 2002/6

"The Programme and Budget Committee decides to hold its nineteenth session from 28 to 30 April 2003."

VI. ADOPTION OF THE REPORT (item 11) AND CLOSURE OF THE EIGHTEENTH SESSION

22. On 25 September, the Committee adopted the draft report of its eighteenth session (PBC.18/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

23. The Committee closed its eighteenth session at 4 p.m. on 25 September 2002.

Annex I

STATEMENT BY DELEGATIONS

1. The present annex contains a statement made in connection with the adoption of conclusion 2002/3 of the Programme and Budget Committee; this statement has been included at the request of the delegations concerned and agreed to by the Chairman.

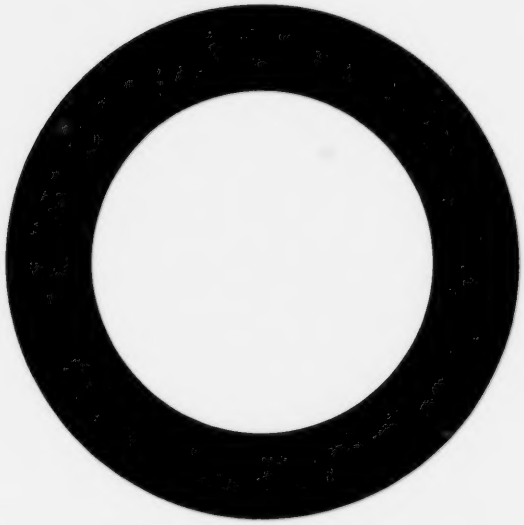
Agenda item 3

2. The observer from Denmark (speaking on behalf of the European Union) said that, with regard to paragraph (f)(iii) of the draft decision on item 3, in the view of the European Union, the reference to the staff in line 2 in no way implied a criticism of the current staff.

Annex II

LIST OF DOCUMENTS SUBMITTED TO THE EIGHTEENTH SESSION

Symbol	*Agenda item*	*Title*
PBC.18/1	2	Provisional agenda
PBC.18/1/Add.1	2	Annotated provisional agenda
PBC.18/2-IDB.25/2	3	Annual Report 2001
PBC.18/2/Add.1-IDB.25/2/Add.1	3	Annual Report 2001. Programme performance report. List of technical cooperation activities
PBC.18/3-IDB.26/2	3	Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the fiscal period 2000-2001 ended 31 December 2001
PBC.18/4-IDB.26/3	3	Comments of the Director-General on the report of the External Auditor
PBC.18/5-IDB.26/4	6	Transition to a single currency system. Note by the Secretariat
PBC.18/6-IDB.26/5	3	Financial performance report for the biennium 2000-2001. Submitted by the Director-General
PBC.18/7-IDB.26/6	8	Mobilization of financial resources for UNIDO programmes. Report by the Director-General
PBC.18/8-IDB.26/7	7	Implementation of medium-term programme framework, 2002-2005. Report by the Director-General
PBC.18/9-IDB.26/8	9	Medium-term programme framework, 2004-2007. Proposals of the Director-General
PBC.18/10-IDB.26/9	4	Financial situation of UNIDO. Report by the Director-General
		Conference room papers
PBC.18/CRP.1	8	Projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2001. Prepared by the Secretariat
PBC.18/CRP.2	2	List of documents
PBC.18/CRP.3	4	Financial situation of UNIDO
PBC.18/CRP.4	6	New initiatives



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IDB.26/14
22 October 2002

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-sixth session
Vienna, 19-21 November 2002
Item 6 of the provisional agenda

CONSULTATIONS WITH NON-MEMBER STATES

Report by the Director-General

In compliance with decision IDB.25/Dec.2, reports on the status of discussions between non-Member States and the Director-General concerning joining/rejoining UNIDO as at 18 October 2002.

1. At its twenty-fifth session, the Board adopted decision IDB.25/Dec.2, paragraph (d) of which requested the Director-General, in a coordinated effort with Member States, to begin consultations with non-Member States with a view to encouraging them to join/ rejoin the Organization. That decision also requested the Director-General to keep Member States regularly informed and to report to the Board at its twenty-sixth session. The present document describes action taken to comply with that decision and includes reporting on responses to those efforts until 18 October 2002.

2. The solicitation for new members and for former members to rejoin began already in 2000 when communications were sent to the Ministers for Foreign Affairs of two former Member States: Australia and Canada. Also in February and April of that year letters were sent to Ministers for Foreign Affairs of seven non-Member countries (Andorra, Estonia, Iceland, Latvia, Liechtenstein, Monaco and San Marino).

3. In April 2001, a communication was sent to the Prime Minister of Antigua and Barbuda, the only State in the Caribbean that is not a member of UNIDO. That communication was followed up with a further letter from the Director-General in July 2002. Also during the period from July to September 2001, letters of solicitation were sent to a further 12 non-Member States (Brunei Darussalam, Cook Islands, Kiribati, Marshall Islands, Micronesia, Niue, Palau, Samoa, Singapore, Solomon Islands, Timor-Leste and Tuvalu). Follow-up letters were sent during that period to seven of the nine non-Member countries mentioned in paragraph 2 above, informing them of new initiatives by UNIDO that might be of interest to them.

4. As a result of the above initiatives and of contacts established by UNIDO staff members, two visits to UNIDO by high-level officials of their respective Governments were sent by Monaco in 2000 and by Canada in 2002. These developments led to a planning for a promotional mission to Canada and the forthcoming visit of the Director-General to Monaco in December 2002.

5. In summer 2002, the Director-General had the opportunity to meet with Ambassadors of three non-Member States (Nauru, San Marino and Tuvalu) at

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United Nations Headquarters when he discussed with them the potential benefits of joining UNIDO. It is to be noted that the Permanent Representative of Nauru had earlier made specific inquiries with respect to membership, to which UNIDO formally replied in July 2001. Those consultations paved the ground for the Director-General's visit to San Marino on 23 August 2002 and for the forthcoming visit to Vienna of a high-level mission from San Marino.

6. At the World Summit on Sustainable Development (WSSD), Johannesburg (August-September 2002), UNIDO presented the partnership initiative "Rural Energy for Productive Use". This partnership initiative includes measures specifically targeted towards small island developing States (SIDS). At the margins of WSSD, contacts with representatives of SIDS and various other actors (NGOs, United Nations Foundation, E-7) laid the groundwork for the development of concrete co-operation proposals that could encourage beneficiary SIDS to join UNIDO.

7. Following the Director-General's communication of 12 September 2002 to the Senior Minister of Foreign Affairs and Cooperation of Timor-Leste, expressions of interest in cooperation with UNIDO were received from the Special Representative of the Secretary-General for Timor-Leste, as well as from the Minister for Transport, Communications and Public Works. A mission to the country by the UNIDO Representative in Jakarta will soon take place to discuss areas of particular interest, including the membership issue. A visit by the Director-General is planned for early 2003.

8. Several Permanent Representatives in Vienna have agreed to contact non-Member States with whom they have "traditional" relationships, at which time they will broach the subject of membership in UNIDO.

ACTION REQUIRED OF THE BOARD

9. The Board may wish to take note of the information contained in the present document and provide guidance for further action.

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21 November 2002

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Twenty-sixth session
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Agenda item 6

CONSULTATIONS WITH NON-MEMBER STATES

Report by the Director-General

Corrigendum

The third sentence of paragraph 3 *should read* Also during the period from July to September 2002, letters of solicitation were sent to a further 12 non-Member States (Brunei Darussalam, Cook Islands, Kiribati, Marshall Islands, Micronesia, Niue, Palau, Samoa, Singapore, Solomon Islands, Timor-Leste and Tuvalu).

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Item 3 (b) and 4 of the provisional agenda

IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007

Towards improved UNIDO programme delivery:
[Strategic guidelines for the medium-term programme frameworks]

[Strategic guidelines for the formulation and implementation of the medium-term programme frameworks 2002-2007]

Note by Japan

Introduction

1. As stated in General Conference Resolution GC.9/Res.2, the Business Plan remains the basis for enabling UNIDO to adapt its functions and priorities and to orient its activities to the new realities of the changing global economic environment, while ensuring its viability and efficiency in the context of the ongoing reform process. The core principles of the Business Plan, i.e. good management and a clear focus on identified priority areas therein, remain valid. Though remarkable achievements in developing a clear thematic focus have been made by UNIDO since the adoption of the Business Plan, there is still scope for further sharpening the focus of its technical cooperation activities. In particular, UNIDO should focus on producing practical and useful deliverables through its technical cooperation activities in areas where its comparative advantage could be most beneficial with a view to achieving tangible results.

2. Considering the need to enhance the cost-effectiveness of UNIDO's use of resources, and the relevance of its cooperation activities and their socio-economic benefits, UNIDO should be encouraged to strive for further efficient and effective operations. This would lead the international community to recognize UNIDO as a revitalized and viable organization. It is sincerely hoped that through such efforts, UNIDO will attain the widest possible membership.

3. This set of strategic guidelines should be taken into account when implementing the medium-term programme framework (MTPF), 2002-2005, when developing the medium-term programme framework, 2004-2007, and during the preparation of the programme and budgets, 2004-2005.

4. The areas upon which UNIDO should focus its technical cooperation activities, and the key considerations in implementing these activities, are indicated in chapters II and III, respectively.

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I. GUIDING PRINCIPLES

5. The implementation of the MTPF, 2002-2005, the preparation of the MTPF, 2004-2007, and the preparation of the programme and budgets 2004-2005, should be carried out in a manner supportive to the overall aim of focusing and further improving UNIDO's technical cooperation activities in line with available resources. The planning of activities should be within the themes and priorities laid down in the Business Plan and in line with the funds that UNIDO can mobilize for their implementation through existing resources and increased efforts to raise additional funds from new and innovative sources.

6. In conformity with the Business Plan and the medium-term programme framework, 2002-2005 approved by the General Conference in resolution GC.9/Res.2, UNIDO's technical cooperation activities should be demand-led and should focus on areas where the Organization has a comparative advantage.

7. UNIDO should be guided by the emerging interests and concerns of developing countries facing changing conditions in international trade and investment as the process of globalization intensifies. By thus responding to the demands of its Member States, UNIDO could foster a greater sense of ownership of its technical cooperation activities, which should be focused on those areas within its mandate that are clearly identified in national poverty reduction plans and within agreed country strategies, and thereby ensure the successful implementation of its programmes and projects.

8. As stipulated in the Business Plan, while maintaining its universal character and vocation UNIDO should pursue a geographical, sectoral and thematic concentration of its activities by giving added emphasis to services provided to least developed countries (LDCs), in particular in Africa, with special attention to regional and subregional levels, as well as to those services in support of agro-based industries and SMEs. UNIDO should pay increasing attention to the needs of LDCs and to projects that would benefit the poor. Additionally, UNIDO should continue to give emphasis to the integration of women in industrial development.

9. In order to ensure the most effective contribution to the wider development goals of its beneficiary states, UNIDO should give particular consideration to other major United Nations development initiatives when developing its future activities. Within UNIDO's existing mandate, this would include giving particular emphasis to relevant recommendations in the Plan of Implementation adopted by the World Summit on Sustainable Development (WSSD) and ensuring that planned activities in Africa take into account the priorities established by the New Partnership for Africa's Development (NEPAD). It will also be necessary to ensure that activities are developed, where appropriate, within the context of the United Nations Development Assistance Framework (UNDAF) and in such a way that they contribute to the achievement of the Millennium Declaration Goals (MDGs).

II. AREAS OF FOCUS FOR UNIDO'S TECHNICAL COOPERATION ACTIVITIES

A. Strengthening industrial capacities

10. UNIDO should assist developing countries and interested countries with economies in transition to strengthen their institutional capacities to benefit from improvements in market access, and promote the rapid and full integration of these countries into the multilateral trading system, particularly in the light of the new round of WTO trade negotiations. This may be achieved, inter alia, by:

(a) Developing programmes for strengthening productive capacities, in particular through technology-based interventions, that target micro, small and medium enterprises and specific sectors, especially agro-based industries (in particular, textile, leather, food-processing and wood), with a view to enhancing the competitiveness of their products in world markets;

(b) Providing support in the field of standardization, quality control and conformity assessment procedures;

(c) Promoting the transfer of technology with a view to enhancing the productivity, competitiveness and quality of the industrial base of all developing regions of the world, particularly in the following areas: agro-related technology, new information and communication technologies and biotechnologies, bearing in mind the special importance of biotechnology and related activities for those regions. Although UNIDO has accumulated a notable expertise in the area of biotechnology, it should nevertheless be acknowledged that an organization of UNIDO's size needs to be very selective when working in such a vast area. Further discussions are warranted, relating in particular to any follow-up to the Global Biotechnology Forum to be held in Chile in December 2003 and the preparatory work for the Forum.

11. UNIDO should also promote investment and technology in developing countries through technical cooperation services and associated global forum activities in the following areas, with a particular focus on the development of agro-based industries and small and medium enterprises:

(a) Building institutional capabilities in investment and technology promotion;

(b) Promotion of management advisory services and improvement of the business environment;

(c) Support in the selection of appropriate technology to meet specific industrial development needs of developing countries and countries with economies in transition;

(d) Promotion of business alliances;

(e) Extension of technology foresight activities to all interested countries and regions in a demand-driven manner;

(f) Promotion of renewable and clean energy services for poor communities, particularly where these would contribute to increased productivity or local income generation.

12. UNIDO should support developing countries and countries with economies in transition in the design, formulation, implementation and monitoring of industrial policies and strategies.

B. Cleaner and sustainable industrial development

13. Assistance should be provided to Member States to facilitate effective compliance with their international commitments with regard to environmental protection, including:

(a) The phasing-out of ozone depleting substances as defined in the Montreal Protocol;

(b) The adoption of sustainable industrial development strategies and technologies and the implementation of international instruments, such as the Stockholm Convention on Persistent Organic Pollutants, the Kyoto Protocol to the United Nations Framework Convention on Climate Change including the Cleaner Development Mechanism, and the Cartagena Protocol on Biosafety to the Convention on Biological Diversity, inter alia through the development of national environmental norms and standards.

14. UNIDO should support the promotion of cleaner and sustainable industrial development, inter alia by:

(a) Continuing to cooperate with the Global Environment Facility (GEF) and to provide services to Member States in the GEF focal areas where UNIDO has a comparative advantage;

(b) Developing further cleaner production activities centred, among others, around the UNIDO/UNEP National Cleaner Production Centres (NCPCs) and focusing on specific subsectors, including industrial waste and pollution control activities;

(c) Helping to assess and overcome the negative environmental consequences of industry and mining on water degradation.

C. Global forum activities

15. These should focus on improving the understanding of how best to use sustainable industrial development to reduce poverty and ensure that the poor benefit from the process of globalization.

16. They should involve both strategic and action-oriented, project-related research; this should strengthen the systematic promotion of industrial development through UNIDO's technical cooperation programmes in developing countries and countries with economies in transition.

17. UNIDO should contribute actively to relevant global forums and the implementation of their outcomes, such as WSSD, the International Conference on Financing for Development, World Water Forum, World Summit on the Information Society, the TICAD process (Tokyo International Conference on African Development) and NEPAD (New Partnership for Africa's Development); such contributions can take the form, inter alia, of disseminating UNIDO's experience, highlighting the outcomes of its technical cooperation activities, and promoting the importance of implementing technologically sound projects.

III. CRITICAL ISSUES IN THE PROVISION OF TECHNICAL COOPERATION SERVICES

A. Organization and field representation

18. UNIDO's recent restructuring was intended to improve the Organization's ability to implement more effectively and efficiently its activities in line with the sectoral priorities defined in the Business Plan. UNIDO should continue to consolidate the benefits of this restructuring, inter alia by improving coordination across UNIDO's technical branches and among its staff. The further strengthening of internal coordination, including teamwork of the staff, would yield substantial benefits.

19. UNIDO's field presence at the national and in particular at the regional level should be optimized and strengthened, as appropriate, to ensure that it is well-

targeted, efficient and effective, and to promote regional integration through, inter alia, interaction and co-ordination with all relevant actors and stakeholders involved.

20. UNIDO should promote coordination and, where appropriate, partnerships with other actors at field level, taking into account existing coordination mechanisms.

21. Better use should be made of the existing network of institutions such as Investment and Technology Promotion Offices (ITPOs) and NCPCs to enhance synergy and create better relations with its clients.

B. Funds mobilization

22. Within the scope of UNIDO's mandate, increased use should be made of global funds such as the Multilateral Fund for the implementation of the Montreal Protocol, the Clean Development Mechanism of the Kyoto Protocol, and GEF; increased cooperation should also be encouraged with such funds as the United Nations Fund for International Partnership (UNFIP) and the Common Fund for Commodities, and with foundations and bilateral development assistance agencies.

23. Efforts should be further enhanced to mobilize funds in cooperation with recipient countries, placing special emphasis on funds for jointly developed Integrated Programmes (IPs) and Country Service Frameworks (CSFs) and other high priority activities in developing countries, particularly LDCs.

C. Cooperation with the private sector and civil society

24. Cooperation should be enhanced with private enterprises, foundations, research institutes and universities to make use of their experience; UNIDO should also further develop the business partnership programme, and sustain its active participation in the Global Compact process, inter alia, as a means of promoting corporate social responsibility.

25. UNIDO should identify and, where appropriate and in consultation with concerned Member States, use the services of technologically advanced non-governmental organizations (NGOs) and volunteers, including United Nations Volunteers and associations such as the "silver volunteers", with a view to making use of their expertise and technology in a cost-effective manner.

D. Sustainability of development assistance

26. The transition from aid to self-sustained growth should be encouraged, inter alia by promoting the national and local ownership of UNIDO's programmes and utilizing systems, equipment, and facilities that reflect the maintenance and management capabilities of the countries in question.

27. UNIDO should engage locally-recruited experts whenever possible with a view to facilitating the growth and development of indigenous knowledge and capabilities.

E. South-South cooperation

28. Efforts should continue to be made to assist in the transfer of technology and lessons learned from regions to other regions and from developing countries to other developing countries.

29. The implementation of projects by developing countries, and their transition from recipient to donor status, should be facilitated.

F. Efficient administration and effective oversight functions

30. UNIDO should review at regular intervals throughout their implementation and revise as necessary its IPs or CSFs, which remain the principal mode of delivery of its technical cooperation services, and its stand-alone projects on the basis of a thorough evaluation of the difference they have made in the recipient countries, taking into account the progress of funds mobilization, the performance of individual components and new realities in the subject countries, with a view to ensuring that these activities remain responsive to changing requirements.

31. A holistic and comprehensive result-based management system incorporating effective methods of performance measurement, monitoring and evaluation should be implemented. If quantification should prove initially difficult, the impact of programmes, projects and global forum activities should be reported in qualitative/ narrative terms as an interim measure.

32. The transparency and accountability of the utilization of external expertise should be increased.

G. Enhancing UNIDO's profile

33. UNIDO should strive to enhance its profile among decision-makers, the development community, the United Nations system and the public at large through interaction and complementarity with the programmes and activities of other actors in the field of development cooperation and through increased cooperation with enterprises and other entities in donor countries.

34. The revitalized UNIDO has found a niche for itself in global efforts at industrialization by innovative approaches to sustainable development ranging from

assisting industries to eliminate CFCs and to promoting environmentally compatible advanced and cleaner technologies. There is now general recognition of UNIDO's important role as a catalyst for industrial development in developing countries. However, a significant number of countries, including some that have left the Organization, still remain outside the membership of UNIDO. UNIDO should make systematic efforts to encourage non-Member States to join/rejoin the Organization.

35. UNIDO's global forum activities should also be considered as an ideal opportunity for disseminating information on its activities to the public.

IV. ACTION REQUIRED OF THE BOARD

36. The Board may wish to consider the information provided in the present document in the context of the draft decision submitted by Japan on this subject.

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IDB.26/16
19 November 2002

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-sixth session
Vienna, 19-21 November 2002
Item 2 (b) of the provisional agenda

FINANCIAL SITUATION OF UNIDO

Proposed payment plan for Azerbaijan

Report by the Director-General

Reports on negotiations for a payment plan with Azerbaijan, in accordance with Board decision IDB.25/Dec.6.

Introduction

1. At its twenty-fifth session, the Board considered the request of Azerbaijan to pay its arrears in instalments, as set out in document IDB.25/8. In its decision IDB.25/Dec.6, the Board authorized the Director-General to negotiate a payment plan with Azerbaijan and requested a report thereon to its twenty-sixth session. This document is presented in compliance with that decision.

I. DRAFT PAYMENT PLAN

2. In a letter to the Director-General dated 19 November 2002 (annex I to the present document), the Permanent Representative of Azerbaijan to UNIDO conveyed the interest of his Government to settle its arrears through a payment plan agreement of a 10-year duration. The draft agreement (annex II) outlines the basic terms of a proposed payment plan.

II. STATUS OF ARREARS AND PAYMENTS MADE

3. The outstanding assessed contributions of Azerbaijan amount to €1,269,247 (details are provided in annex A of the draft payment plan). Since joining the Organization in 1995, Azerbaijan has paid a total amount of $116,700 ($50,000 on 1 October 2001 and $66,700 on 5 July 2000). These amounts do not reflect payment of €129,933 received on 23 October 2002, as the Government wishes to apply this amount to the first instalment once the payment plan is approved.

III. VOTING RIGHTS

4. Article 5.2 of the UNIDO Constitution stipulates that any organ may permit a Member in arrears to vote in that organ if it is satisfied that the failure to pay is due to conditions beyond the control of the Member. Voting rights are governed by the respective rules of procedure

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of the governing bodies (rule 91 of the General Conference, rule 50 of the Industrial Development Board and rule 42 of the Programme and Budget Committee).

5. In its report to the Board, the open-ended discussion group on timely payment of assessed contributions stated: "When considering applications for the restoration of voting rights, the competent body should regularly take into account the state of payments made under an agreed payment plan" (IDB.19/12 and Corr.1, para. 14).

IV. OTHER ORGANIZATIONS

6. Information on the duration of payment plans in other United Nations organizations is contained in document GC.9/9 (chap. IV).

7. **Status of payment of contributions to other organizations**—Out of ten other organizations, Azerbaijan does not have voting right status with the Food and Agriculture Organization (FAO), International Labour Organization (ILO) and World Meteorological Organization (WMO). Two payment plans are in operation, both with a 10-year duration, with the International Telecommunication Union (ITU) since 1999 and with the World Health Organization (WHO) since 2002. Voting rights were restored immediately by the respective Council/Assembly of those organizations. UNESCO restored the voting right upon receipt of payments made during the last three years.

V. ACTION REQUIRED OF THE BOARD

8. The Board may wish to consider the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recalls the report of the open-ended discussion group on timely payment of assessed contributions (IDB.19/12 and Corr.1), in particular paragraphs 13 and 14;

"(b) Also recalls Board decisions IDB.19/Dec.5 and IDB.25/Dec.6;

"(c) Welcomes the commitment of Azerbaijan to settle its arrears;

"(d) Decides to approve the payment plan negotiated with Azerbaijan as outlined in document IDB.26/..;

"(e) Takes note of the terms of the payment plan and encourages Azerbaijan to pay regularly its instalments in line with the conditions therein;

"(f) ..."

Annex I

COMMUNICATION FROM AZERBAIJAN

Permanent Mission
of the Republic of Azerbaijan
to the International Organizations
in Vienna

No. 1696/16/11

Vienna, 19 November 2002

Excellency,

I have the honor to refer to your letter of 3 June 2002 and to decision IDB.25/Dec.6 adopted by the Industrial Development Board, and to forward to you the amended text of the Agreement between the Government of Azerbaijan and the UNIDO regarding outstanding assessed contributions under a payment plan outlined in document IDB.25/8, annex II.

I would appreciate your conveying the present communication to the attention of the 26th session of the Industrial Development Board for its consideration and relevant action.

I avail myself of this opportunity to renew to you the assurances of my highest consideration.

Sincerely yours,

[*Signed*]

Amb. Vaqif Sadiqov
Permanent Representative

Enclosure

H.E. Mr. Carlos Alfredo MAGARIÑOS,
Director-General,
United Nations Industrial Development Organization,
Vienna

Annex II

**DRAFT AGREEMENT BETWEEN
THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
AND THE GOVERNMENT OF THE REPUBLIC OF AZERBAIJAN
REGARDING OUTSTANDING ASSESSED
CONTRIBUTIONS UNDER A PAYMENT PLAN**

1. The United Nations Industrial Development Organization (hereinafter "UNIDO") and the Government of the Republic of Azerbaijan (hereinafter "the Government") have agreed to a payment plan which will enable the Government to settle its arrears of outstanding assessed contributions in accordance with decision ..... adopted on ..... by ..... .

2. The total outstanding assessed contributions owed by the Government to UNIDO, at the date of this Agreement, is €1,269,247 (arrears of 1993-2002). Details are shown in the attached Annex A and made an integral part hereof. (However, an amount of €129,933 was received on 23 October 2002, which the Government wishes to apply against the first instalment of the approved plan.)

3. The Government undertakes to pay the above amount (€1,269,247), contribution for 2003 (€3,342), as well as future years' assessed contributions (2004 onwards), in instalments over a period of ten years from the date of this Agreement. These amounts are to be transferred to the following UNIDO bank accounts:

(a) Euros: UNIDO EURO Account No.: 0029-05107/00
IBAN No.: AT79 1100 0002 9051 0700
Bank Austria Creditanstalt AG, VIC Branch, A-1400 Vienna, Austria

or

(b) US Dollars*: UNIDO/IDF Account No.: 949-2-416442
JPMorgan Chase, International Agencies Banking, ABA No.: 021 000 021,
1166 Avenue of the Americas, 17th floor, NY 10036-2708, New York, USA

4. The Government undertakes to discharge its payment obligations in accordance with the following schedule of payments, and also undertakes to pay its future assessed contributions in full and on time in accordance with the UNIDO financial regulations:

	Euros		
Payment Date	**Arrears**	**Current Year's Contributions**	**Total**
Within two months after Government ratification of the Agreement	126,925	3,342	130,267***
By 31 May 2004	126,925	**	
By 31 May 2005	126,925	**	
By 31 May 2006	126,925	**	
By 31 May 2007	126,925	**	
By 31 May 2008	126,925	**	
By 31 May 2009	126,925	**	
By 31 May 2010	126,924	**	
By 31 May 2011	126,924	**	
By 31 May 2012	126,924	**	
Total	**1,269,247**		

* *Note*: US dollars will be converted to euros at the prevailing United Nations rate of exchange at the time payment is received.

** Contributions to be determined by the General Conference approval of the scale of assessments and the programme and budgets.

*** Should the plan be approved, the payment of (€129,933) received by UNIDO on 23 October 2002, will be applied against the first instalment.

5. A delay of more than three months by the Government in the payment of each individual instalment due shall be considered as non-compliance with this Agreement and shall be reported to the governing bodies.

6. All communications required under this Agreement shall be in writing and addressed as follows:

For the Government:

For UNIDO: Director and Treasurer, Financial Services Branch,
Division of Administration
P.O. Box 300
A-1400 Vienna, Austria

7. Paragraph 7 to be covered in an addendum to the present document.

For the Government of Azerbaijan:

Name: _____

Functional Title:

At:

On this .....day of ..... 2002.

For the United Nations Industrial Development Organization:

Name: _____

Functional Title:

At:

On this .....day of ..... 2002.

Annex A

United Nations Industrial Development Organization

Contributions to the regular budget for 2002

		Euros
Net UNIDO regular budget requirements for the 2002-2003 biennium in accordance with General Conference decision GC.9/Dec.17		133,689,800
Total assessment for 2002		66,844,900
Level of Working Capital Fund in accordance with General Conference decision GC.9/Dec.13		7,423,030

AZERBAIJAN

Rate of assessment applicable in accordance with General Conference decision GC.9/Dec.10 0.0060%

	Outstanding year(s)	Euros
Regular budget contribution for	**2002**	**4,011**
Credits, if applicable *		(669)
Net regular budget contribution for 2002		3,342
UNPAID PRIOR YEARS		
	1993	117,224
	1994	300,913
	1995	300,913
	1996	156,909
	1997	144,129
	1998	112,956
	1999	112,956
	2000	10,324
	2001	10,324
Working Capital Fund adjustment		(743)
Overpayment from 2001, if applicable		0
Total contribution payable**		**1,269,247**

* Credits arising from distribution of the unencumbered balances of appropriations, income from new Member States and interest income in excess of budgetary estimates (share of Japan) – annex to GC.9/Dec. 10.

** In accordance with financial regulation 5.5(b) of UNIDO, full payments are due within 30 days of receipt of this communication or as of 1 January 2002, whichever is later.

Note: In accordance with General Conference decision GC.9/Dec.15, unpaid prior years' contributions have been converted to euros at the following rates: €1 = ATS 13.7603, and US$1 = €1.123.

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United Nations Industrial Development Organization

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Industrial Development Board

Twenty-sixth session
Vienna, 19-21 November 2002
Item 2 (b) of the provisional agenda

FINANCIAL SITUATION OF UNIDO

Proposed payment plan for Azerbaijan

Report by the Director-General

Addendum

Paragraph 7 of the draft payment plan contained in annex II to document IDB.26/16 would read as follows:

7. This Agreement shall be subject to ratification by the Government, and shall come into force upon receipt by UNIDO of notification from the Government of its ratification. Pending such ratification it shall be given provisional effect by the Parties.

The undersigned, being duly authorized thereto, have signed the present Agreement in duplicate in English.

V.02-59760 (E)

Distr.: 21 November 2002